

Message Text

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PAGE 01 ROME 17263 121917Z

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SUBJECT: CIVILIAN OPERATION BAKER-NUNN CAMERA

REF: STATE 264607

SUMMARY. IN RESPONSE TO INSTRUCTIONS IN REFTEL RE BAKER-NUNN STAFFING MISSION HAS NOT APPROACHED GOI LEST THEY BECOME NEEDLESSLY CONCERNED THAT WE PLAN A FORCE REDUCTION. NOR HAVE WE CONTACTED LOCAL FIRMS OR SCIENTIFIC COMMUNITY LEST THEIR HOPES BE PREMATURELY STIMULATED. MISSION ALSO MUST CAUTION WASHINGTON THAT PREMATURE SOLICITING OF PROPOSALS FROM ITALIAN FIRMS COULD CREATE EXPECTATION THAT USG COULD AND HENCE WOULD EMPLOY ITALIANS RATHER THAN AMERICANS. THIS WOULD BE AWKWARD SHOULD EVENTUAL DECISION BE TO EMPLOY US CIVILIANS. THIS MESSAGE WILL THEREFORE DEAL WITH MATTERS RAISED IN REFTEL WHICH CAN BE ANSWERED FROM MISSION SOURCES, WITH CAVEAT THAT REFTEL PROVIDED ONLY VAGUEST GUIDANCE REGARDING FUTURE DUTIES OF CIVILIAN PERSONNEL OR CONTRACTOR, AND REGARDING THEIR RELATIONSHIP WITH PRE-EXISTING ADMINISTRATIVE INSTITUTIONS AT SAN VITO. ON BALANCE STATUS QUO SEEMS BEST COURSE. END SUMMARY.

1. USAF CIVILIAN EMPLOYEES ON MILITARY ORDERS WOULD BE CONSIDERED PART OF US FORCES UNDER SOFA AND BIA AND WOULD CAUSE NO CHANGE WHATSOEVER IN FACILITIES LEGAL STATUS.

2. TECH REP STATUS. THE BIA EXTENDS THE SOFA DEFINITION OF US
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PAGE 02 ROME 17263 121917Z

FORCES AND CIVILIAN COMPONENT TO INCLUDE QUOTE TECHNICAL REPRE-

SENTATIVES OF FIRMS HAVING SPECIAL RELATIONSHIP WITH THE US ARMED FORCES WHEN SUCH PERSONS COME TO ITALY FOR OTHER THAN TEMPORARY VISITS UNQUOTE. THIS STATUS CAN ONLY BE GRANTED TO PERSONS HAVING THE

CITIZENSHIP OF A NATO NATION (EXCLUDING ITALY). DEFINITION IS GOVERNED BY QUOTE THE CONDITION THAT THE PRESENCE OF SUCH PERSONS IN ITALY IS RECOGNIZED BY BOTH GOVERNMENTS AS NECESSARY IN CONNECTION WITH THE FUNCTIONING OF THE INSTALLATIONS UNQUOTE. NORMALLY SHOULD A US FIRM BE AWARDED A SERVICE CONTRACT, AND ITS PERSONNEL BE SENT TO ITALY WITH ORDERS AND PASSPORTS IDENTIFYING THEM AS TECH REPS AND THEY ARE CONSIDERED BY US TO BE MEMBERS OF US FORCES, THEN, THEY WOULD HAVE THE SAME RIGHTS GRANTED THE CIVILIAN COMPONENT OF THE FORCE UNDER THE BIA AND THE SOFA. THIS PRESUPPOSES CONCURRENCE BY THE GOI WHICH IN THE PAST HAS BEEN GRANTED IN A RATHER PRO FORMA MANNER. ON THE OTHER HAND MISSION DOES NOT RECALL EVER REQUESTING TECH REP STATUS FOR SUCH A LARGE GROUP TO TAKE OVER AN ENTIRE FUNCTION PREVIOUSLY PERFORMED BY MILITARY PERSONNEL. MOREOVER, GIVEN PRESENT ECONOMIC DIFFICULTIES IN ITALY, MISSION CANNOT PRECLUDE POSSIBILITY OF ITALIANS STATING THAT THEY WOULD GREATLY PREFER US EMPLOY ITALIAN CIVILIANS RATHER THAN IMPORT LABOR DURING PERIOD OF HIGH UNEMPLOYMENT.

3. TAX RELIEF. WHETHER TAX RELIEF WILL BE A PROBLEM DEPENDS ON HOW IT IS DEFINED AND ON WHOM THE LIABILITY IMPACTS. EMPLOYMENT OF USAF CIVILIANS WOULD CAUSE NO CHANGE IN PRESENT FISCAL OPERATIONS. MISSION CANNOT COMPLETELY ASSURE WASHINGTON THAT GIVEN A DECISION TO CONTRACT OUT SERVICES THERE WOULD BE EQUIVALENT TAX RELIEF NOR THAT THE EVENTUAL PRICE TO THE USG FOR GOODS AND SERVICES MIGHT NOT BE HIGHER. WHEN THE MILITARY GOES DIRECTLY OUT IN THE MARKET PLACE FOR GOODS AND SERVICES, AS WE SUPPOSE IS NOW THE CASE

AT SAN VITO, THE MILITARY AUTHORITIES STAMP BILLINGS WITH REFERENCE TO TAX RELIEF GRANTED BY GOI TO PAYMENT OF TVA AND SOME OTHER INDIRECT TAXES. WE HAVE DOUBTS THAT UNDER SITUATION FORESEEN AT BAKER-NUNN FACILITY PRIVATE CONTRACTORS WOULD BE ALLOWED SIMILAR PRIVILEGES, ALTHOUGH IT IS POSSIBLE THAT MILITARY COULD ACCEPT RESPONSIBILITY FOR PROCUREMENT (SEE PARA. 5 BELOW). SIMILARLY, MISSION IS NOT CERTAIN WHETHER IMPORTATIONS BY A CONTRACTOR WOULD BE GRANTED DUTY FREE ENTRY.
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PAGE 03 ROME 17263 121917Z

MISSION IS ESPECIALLY CONCERNED THAT SHOULD CONTRACT BE AWARDED TO A US SUBSIDIARY ALREADY OPERATING IN ITALY, OR TO AN ITALIAN FIRM, THE POSSIBILITY MIGHT EXIST, OR SEEM TO EXIST IN EYES OF ITALIAN AUTHORITIES, FOR ABUSE OF CUSTOMS PRIVILEGES. THEREFORE, THERE IS SOME CHANCE THAT OPTION OF CONTRACTING OUT COULD LEAD TO HIGHER COSTS FOR IMPORTED ITEMS, AND ALSO MIGHT RAISE NEW DUNN-VANONI COMPLICATIONS AT A TIME WHEN WE ARE

STILL RATHER PRECARIOUSLY TRYING TO ASSURE THE WORKABILITY OF NEW CLAIMS PAYMENT PROCEDURES WHICH DEPEND TO A LARGE EXTENT ON GOI GOOD WILL. AS FAR AS PERSONAL INCOME TAX IS CONCERNED USAF CIVILIAN EMPLOYEES WOULD HAVE NO ITALIAN INCOME TAX LIABILITY. ANY SUCH LIABILITY FOR CONTRACT PERSONNEL WITH TECH REP STATUS IS STILL UNDER STUDY. SHOULD ITALIAN CITIZENS BE EMPLOYED, THEY, OF COURSE, WOULD BE SUBJECT TO ITALIAN INCOME TAX BUT WOULD BE PROTECTED AGAINST DOUBLE TAXATION IN ACCORDANCE WITH US REGULATIONS AND US-ITALIAN BILATERAL CONVENTIONS.

4. ONE SOLUTION TO COMPLICATIONS CITED ABOVE MIGHT BE FOR SAN VITO MILITARY AUTHORITIES TO PURCHASE, IMPORT, AND PROVIDE ADMINISTRATIVE SERVICES FOR BAKER-NUNN FACILITY, WITH TECH REPS SIMPLY PROVIDING LABOR SKILLS NECESSARY TO TECHNICAL FUNCTIONING OF FACILITY. THIS MIGHT ALSO MINIMIZE THE NUMBER OF TECH REPS FOR WHOM GOI WOULD NEED TO GRANT CONCURRENCE.

5. FEASIBILITY OF UTILIZING ITALIAN CONTRACTOR. ASIDE FROM THE FACT THAT ITALIAN NATIONALS COULD NOT BE GRANTED TECH REP STATUS AND THEIR EMPLOYMENT MIGHT CAUSE THE US TAX PROBLEMS, IT MUST BE STATED THAT IT IS THE MISSION'S BELIEF THAT ITALIAN FIRMS WITH TECHNICAL COMPETENCE TO MAN THE FACILITY DO EXIST; AND THAT EMPLOYMENT OF ADDITIONAL ITALIAN CITIZENS MIGHT GAIN THE USG SOME GOOD WILL FROM THE GOI, BUT THE SITUATION COULD NOT BE PUBLICIZED OWING TO CLASSIFIED AND SENSITIVE NATURE OF SAN VITO FACILITY AS A WHOLE. HOWEVER SHOULD THE ITALIAN CONTRACTOR ENGAGE IN LABOR PRACTICES WHICH PROVOKE NEGATIVE PUBLICITY OR WORK ACTIONS BY HIS EMPLOYEES THE USG WOULD HAVE TO QUIETLY SHARE, OR BEAR BRUNT OF MEDIA CRITICISM AND ALSO SUFFER FROM ANY TEMPORARY CUTBACKS IN OPERATING EFFICIENCY; WHILE BEING RELATIVELY POWERLESS

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PAGE 04 ROME 17263 121917Z

TO CHANGE FACTUAL SITUATION. MISSION ALSO WONDERS WHETHER EMPLOYMENT OF NUMEROUS ADDITIONAL ITALIAN EMPLOYEES MIGHT NOT LEAD TO CONDITIONS WHEREBY THE SECURITY OF OTHER OPERATIONS AT SAN VITO COULD BE MORE EASILY COMPROMISED. THEREFORE, ON BALANCE, MISSION DOES NOT FAVOR ANY CHANGE IN STATUS QUO WHICH WOULD LEAD TO AWARDED OF CONTRACT TO ANY FIRM WHICH WOULD PLAN TO RELY ON ITALIAN CITIZEN EMPLOYEES.

6. WITH CAVEAT, THAT MISSION DOES NOT COMPLETELY UNDERSTAND REASONS FOR OR DETAILS OF PROPOSED CHANGE, EMBASSY WOULD RECOMMEND IN DESCENDING ORDER OF PRIORITY: (A) THE STATUS QUO, (B) USAF DIRECT HIRE OF US CIVILIANS OR (C) AWARD OF CONTRACT TO US FIRM WHICH WOULD HIRE US CITIZENS WHO COULD BE GRANTED TECH REP STATUS. VOLPE

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